
[Transcription of Creepy Jar S.A. Earnings Call Q1 2024](#)

Krzysztof Kwiatek (CEO):

Hello and welcome to Creepy Jar's Q1 2024 performance conference. Representing the company are board members Grzegorz Piekart and Krzysztof Kwiatek. As always, Grzegorz will start with the financial part and then I will give a brief overview of what's happening in development. Grzegorz, the floor is yours.

Grzegorz Piekart (Member of the Management Board):

Thank you, hello. In terms of our release and development activities in Q1 2024, we released the Flamekeeper expansion pack for Green Hell in January. We also spent most of that quarter working on another expansion, the Anteater DLC, which was released in mid-April, early this quarter. The majority of our efforts are focused on StarRupture. As we have said many times before, the majority of the team is focused on that game. These financial results were the consequences of those activities. In terms of sales revenue, it amounted to 7.3 million zlotys and was nearly 40% lower than in the corresponding period last year. That is the result of selling a total of over 340,000 copies gross of Green Hell on our key platforms, i.e. PC/Steam, PlayStation, and Xbox. As a result, we reported 3.2 million zlotys of EBITDA and 3.3 million zlotys of net profit. In both cases, it was 65% less than in the same period last year. As far as financial assets, that is to say, cash, but also short-term investments are concerned... Sorry, we have a technical error. Let's continue, sorry again. As far as short-term financial assets are concerned, they came to just over 80 million zlotys, which is a million more than at the end of last year. The fact that most of the team is focused on the development of StarRupture is also very important, and it can be seen in our game development expenses. The total expenditure and costs for game development was 3.1 million zlotys. This is over a million zlotys more than in Q1 of last year. At the end of the last quarter, the team had 66 people. We don't expect big changes here, since we think we're in a stable position with them now. We've already said a couple of times that the core, and in fact, the entire team that we had planned for, has already been put together. We do not expect any more changes here. After the big increases we saw last year and the year before, I think this figure of almost 70 people is now stable and on target. As I mentioned, we sold over 340,000 copies on the key platforms. While this figure looks very good and it is comparable to previous years - surpassing them even, it is unfortunately largely the result of us lowering the price of Green Hell even further, and increasing the discounts that we offered. This can be seen in the results. In terms of PC volume, we sold close to 290,000 copies gross, but as we mentioned earlier, revenues are significantly lower than last year or even in the previous quarter. Going into greater detail per individual platform: despite the decline in revenue, our PC sales share is increasing, and the consoles were quite consistent in the last quarter compared to the previous quarter. At the same time, we recorded a decline in sales from the sources beyond our control, i.e. external publishers. We are taking steps, such as the discounts mentioned, but also, as you know, we are working on a console version, which we hope will reverse these trends a little at some point and, at least temporarily, allow us to generate equally high revenue. This is also the official announcement that we have signed a deal to release Green Hell on Nintendo's yet-to-be-officially-announced future platform. We hope that this will have a positive impact on our performance in future periods.

On the cost side: operating expenses have increased by 43% compared to Q1 2023. In large part, that is due to the rise in salaries and the fact that in Q1 2023 we hadn't yet recognised the incentive programme. This year, we have already recognised that incentive programme and it came to 1.2 million zlotys. Our third-party service costs have also increased. This is linked to the aforementioned porting to other consoles, as is the growth of the team, truth be told. As a result, with rising costs and falling sales at virtually all levels, our profitability has dropped, but these levels are nevertheless quite attractive. Net profitability is still close to 50%, and EBITDA profitability is over 40%, so despite our situation, we believe that the measures we are taking are satisfactory, to say the least. As far as the balance sheet is concerned, there are no significant changes here. Everything that has happened is the result of the actions mentioned earlier. In particular, our fixed assets are increasing due to StarRupture's expenses, which are included in long-term accruals. The increase in tangible assets was related to the office refurbishment we are carrying out. That is also related to the increase in our headcount. We had to adjust our office to accommodate more people. As far as current assets are concerned, the increase was also mainly related to cash generated, and this is actually the most important item that changed during this period. As far as the



passive side of the balance sheet is concerned, nothing much has happened there. Equity and accumulated profits continue to dominate and account for more than 95% of the balance sheet total. As far as liabilities are concerned, they are insignificant amounts across the board, largely tax and trade payables related to day-to-day operations.

In terms of cash flow: we're still managing to generate cash. Despite declining sales, rising costs and increased game expenses, we've still managed to increase our cash balance by one million zlotys. We hope that we will still be able to continue this in the next quarters, of course just until we release the next game. Of the more detailed items, in terms of cash flow from operations: the biggest change here was the 1.2 million incentive programme mentioned earlier and the change in interim settlements, that's half a million and the depreciation was 400,000 zlotys. In terms of investing cash flow, there were largely two large items related to the acquisition and redemption of short-term bonds that we had and the expenses related to game development, namely StarRupture - 2.5 million zlotys. Taking everything into account: the fact that we are still managing to maintain profitability, that we are still generating positive cash flows, and that we are heading towards the release of our next game, which Krzysztof will tell you about shortly, the board decided to recommend payment of a dividend for last year of 9.2 million zlotys, i.e. just over 11 zlotys per share. In our opinion, the financial situation we are in and the prospects we have ahead of us in the coming quarters and months allow us to share the profits generated last year with our shareholders. That would be it in terms of the financial details. Now over to Krzysztof.

Krzysztof Kwiatek:

Let's move on to the development now. We'll start with StarRupture. Our work and goals for 2024 are "the road to early access", that is to say, we're working on the early access build. Something we hope to do in four milestones. At the moment we are in the middle of the second one. The first milestone was called First Fifteen Minutes and the one we're working on now is called First Five Hours, so it's pretty clear what part of the game we're working on. We are fine-tuning all the elements of the game simultaneously right now, namely gameplay, balance, performance and graphics quality. As far as when would we like to complete work on this build, i.e. finish the fourth milestone? We are aiming for late autumn this year. Once we've finished the fourth one and have this build done, then we'll be able to assess its quality and whether what we have is satisfactory to us, and if it's something that we want to show to the players. If it is, then we will find the next best release window that is good for us. If not, then of course we will try to eliminate all the bugs and imperfections. Our assessment of the work done to date this year is very positive, with more and more elements of StarRupture achieving that early access quality target. At the moment, everything is going according to plan, but we are also cautious about the future because we know that with every milestone there will be more and more content, and this always generates more potential bugs and things that might not work, but so far everything is ok.

Regarding StarRupture's marketing: at the moment we are working on another devlog. Working on the devlogs means we are also preparing for the actual marketing part, which is to show gameplay. We know that the ultimate hype and interest around the game will be built by showing gameplay. StarRupture is a game based on gameplay, so the best way to attract players will be showing that content, not creating more CGI's. When will we start showing gameplay footage? We'll start showing it when the build we're working on has reached the point where we're happy with what we're seeing and we're able to record longer, high-quality clips. We're in a different situation than we would normally be in because marketing that is based on early access gameplay footage is different to what happens with games that have a single release because our product is only just a couple of months after its alpha. It's not yet at the point at which the game is suitable for showing, while early access is getting the game into the hands of players early on, so those materials that we'll be able to show will generally appear closer to the release rather than further away. That's just how it works. StarRupture will also reach further and further audiences after its release, and we've already got that mapped out thanks to Green Hell.

That's all for StarRupture, now let's move on to Green Hell. We recently released the 20th expansion for the game, so the game is now very large and well-rounded. At the moment, we are working on the next DLC, which will add decoration options for the interiors of the buildings that players create and live in. We have decided not to publish any more roadmaps because we don't really want to make such far-reaching, long-term plans for the



next DLCs. Rather, we are looking at how the expansions that we are releasing, on an ongoing basis, are performing and we are trying to find the next best expansion to make a difference in sales, which is becoming increasingly difficult as the product is six years old and we are finding it harder and harder to create an expansion pack that would add something truly revolutionary and make everyone's eyes turn to Green Hell. Here we can smoothly move on to the next topic which is Green Hell 2. We have already started the conceptual work on the direction we'll take this game. As I mentioned a moment ago, now that Green Hell is completed, we think it would be good for the people who are working on Green Hell to move on to Green Hell 2. We are in a very important phase where we are deciding what we want Green Hell's sequel to look like. We have a gigantic sales potential for the future as we are approaching 6 million copies sold. We need to approach the subject very carefully and think about what we want the game to be like so that our fans are happy. This is something that is being worked on right now. I think somewhere in the near future we will already be able to share some information with you about the potential direction of Green Hell 2. That's all from the development part. We need a three-minute technical break because there are some problems. Please wait and we will be right back.

We're back, sorry for the disruption. If we continue having technical issues on our side, we will organise a new, separate Q&A session for you. For now, though, we'll try and see what happens. OK, here's the first question.

Q&A session

Q: During the last conference, you mentioned that you would decide to release some gameplay footage after the second milestone if the quality was satisfactory. Have you decided anything on that topic yet? How far away do you think we might be from that point?

Krzysztof Kwiatek:

As I mentioned today and last time, it will all depend on whether we have the content we are happy with and are able to share it. We're not trying to stall that moment at all, but the nature of early access is what it is. Gameplay footage always arrives relatively late, because our early access is itself early access to the game. Even with Green Hell, the gameplay footage was shown close to the release. We will try to show it as early as we can, but that is not yet today. It's hard to say at this point whether it will be in a month or two.

Q: Recently, 11 Bit invited the media, influencers and market representatives to test Frostpunk 2 and The Alters. Would you consider a similar initiative before the release of StarRupture? It seems that such a move would not only be a good marketing ploy but would also show the company's confidence in the product it has created.

Grzegorz Piekart:

Our marketing plan does not include that type of venture at the moment. As Krzysiek has said many times, an early access game means that we'll be working on it until its very release, and in fact, we'll continue to do so after its release too. And we've also said on many occasions that we will not release a game that we are not satisfied with, that in our opinion doesn't meet our standards in terms of quality of execution. So we don't expect to have such an event, particularly where we give the game to market representatives to test. Of course, as part of the marketing campaign itself, we will give the media and influencers access, but certainly not in the form of a physical meeting. That is not something that we are planning.

Q: What do you think of Krafton's recent investment in Far From Home? The transaction implies a valuation of the studio at 112 million zlotys. Comparing StarRupture to Forever Skies, what are the advantages of your game? Have you seen a recent increase in interest from foreign investors in your industry?

Grzegorz Piekart:

I'll answer from the end, shall I? We are continuously seeing some interest from both foreign investors and industry investors and in particular foreign industry investors. As you know, the biggest ones in the world are always active in some way, although it comes and goes, really. After the great boom, where M&A deals were plentiful, as were seed investments, or downstream investments, the whole industry has slowed down a bit. The



interest is there, but for us, as we have also said many times, our independence is important and at this stage, we wouldn't be planning for any outside investors like that. We want to grow at our own pace and continue to operate in our model, which you know well. As far as the evaluation of this transaction itself is concerned, it is difficult for us to comment because we do not have access to any data. The only figure we know is the 112 million that you have told us. We do not know Forever Skies' sales figures. We don't even know too much about how big of a studio Far From Home is, so it's difficult for us to say anything specific about that, and we wouldn't want to guess.

Krzysztof Kwiatek:

As for the game, how would we compare StarRupture to Forever Skies? We don't make such comparisons. StarRupture has already taken shape and we have a clear vision for how we want to release it. It's a game that focuses on co-op, on base building, and is accompanied by combat which we decided to add in a comprehensive way to our base building after the alpha. I think they are completely different products. Creating comparisons wouldn't contribute anything.

Q: At the last meeting, you promised to share your thoughts on what direction you'll be taking with Green Hell's IP. Can you tell us more about GH 2? What major changes are in store for this project compared to part one? How much bigger will the world be?

Krzysztof Kwiatek:

Since the previous meeting was only three weeks ago, it is still too early for us to be able to share any such information. We are still working on it. I think that three weeks after the previous meeting it is not yet the time to share that information.

Grzegorz Piekart:

We ourselves haven't quite clarified those thoughts yet; as we said, the conceptual work is still in progress and will continue for some time to come. When we are ready, we will want to share it with you, if you'll be interested.

Krzysztof Kwiatek:

Either way, we are pushing the topic hard to minimise any chance of any Green Hell 2-related failures.

I've been told that unfortunately, we have to end here due to technical problems. As I said before, we will organise a separate event so that we can finish this Q&A session. We apologise again for the disruption, thank you and goodbye.

Grzegorz Piekart:

Thank you.

